

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER:  <b>03-001</b>	2. STATE  <b>MA</b>
<b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE  <b>March 1, 2003</b>	
5. TYPE OF PLAN MATERIAL (Check One):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: <b>Section 1902(a)(13) and 1902(a)(30) of the Act and 42 CMR 447.250 through 447.272</b>		7. FEDERAL BUDGET IMPACT: <b>a. FFY03 (\$11.4 Million)</b> <b>b. FFY04 (\$22.8 Million)</b>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <b>Attachment 4.19-D(4), pp. 5, 6, and 11</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  <b>Same</b>	
10. SUBJECT OF AMENDMENT:  <b>Nursing Facility Services</b>			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <b>Not required under 42 CMR 430.12(b)(2)(ii)</b>			
12. SIGNATURE OF STATE AGENCY OFFICIAL <b>//Douglas S. Brown//</b>		16. RETURN TO:  <b>Laura Watson State Plan Coordinator Office of the General Counsel Division of Medical Assistance 600 Washington Street Boston, MA 02111</b>	
13. TYPED NAME: <b>Douglas S. Brown</b>			
14. TITLE: <b>Acting Commissioner</b>			
15. DATE SUBMITTED:			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>3/28/03</b>		18. DATE APPROVED: <b>6/2/03</b>	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>3/1/03</b>		20. SIGNATURE OF REGIONAL OFFICIAL: <b>Burns</b>	
21. TYPED NAME: <b>CHARLENE BROWN</b>		22. TITLE: <b>Deputy Director, CMSO</b>	
23. REMARKS:			

March 28, 2003

Richard R. McGreal  
Acting Associate Regional Administrator  
Health Care Financing Administration  
John F. Kennedy Federal Building  
Government Center  
Boston, MA 02203

**Re: MA-03-001, State Plan Amendment regarding Methods Used to Determine Rates of Payment for Nursing Facilities**

Dear Mr. McGreal:

Attached is MA-03-001, a State Plan Amendment to Attachment 4.19-D(4). This amendment, effective March 1, 2003, modifies the calculation of the Other Operating Standard Payment per diem, by excluding non-allowable reported amounts that were ascertained from base-year cost-report audits.

In addition, we are submitting a technical change to Section IV.K. on page 11 that has been requested by the CMS Region 1 office.

Should you have any questions regarding this amendment, please contact Lisa McDowell at 617-210-5626.

Sincerely,

//Douglas S. Brown//

Douglas S. Brown  
Acting Commissioner  
Division of Medical Assistance

Enclosures: Form 179  
State Plan Amendment 03-001

State Plan under Title XIX of the Social Security Act  
State. Massachusetts  
Institutional Reimbursement: Nursing Facilities

**III. Methods and Standards Used to Determine Payment Rates**

- A. **Prospective Per Diem Rates.** The prospective per diem payment rates for nursing facilities are derived from the Nursing, Other Operating, and Capital payment components. Each of these components is described in detail in the following sections.
- B. **Nursing Cost.** The following Nursing Standard Payments (per diem) comprise the Nursing Cost component of the prospective per diem payment rates for nursing facilities.

Payment Group	Management Minute Range	Nursing Standard Payment
H	0 – 30	\$10.95
JK	30.1 – 110	\$28.48
LM	110.1 – 170	\$51.40
NP	170.1 – 225	\$72.28
RS	225.1 – 270	\$90.76
T	270.1 & above	\$108.80

The base year used to develop the Nursing Standard Payments is 2000. Nursing costs reported in CY 2000 in the following categories are included in the calculation: Director of Nurses, Registered Nurses, Licensed Practical Nurses, Nursing Aides, Nursing Assistants, Orderlies, Nursing Purchased Services, Director of Nurses and Nursing Workers' Compensation, Payroll Tax, and Fringe Benefits, including Pension Expense. The Nursing Standard Payments are derived from the product of the industry CY 2000 median nursing costs times the CY 2000 industry median management minutes for each of six payment groups listed 114.2 CMR 6.03 (1) (Appendix A, p. 5). The base year amounts for each group are updated to rate year 2002 by a cost adjustment factor of 5.96%. This cost adjustment factor is based on Massachusetts-specific CPI forecasts as well as national and regional indices supplied by DRI.

- C. **Other Operating Cost.** The Other Operating Cost Standard Payment (per diem) comprises the other operating component of the prospective per diem payment rates for nursing facilities. The Other Operating Standard Payment, effective March 1, 2003, is \$52.33.

**State Plan under Title XIX of the Social Security Act  
State. Massachusetts  
Institutional Reimbursement: Nursing Facilities**

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The base year used to develop the Other Operating Standard Payment of \$52.33 is CY 2000. Other operating costs reported in CY 2000 in the following categories are included in the calculation: variable, administrative and general, and motor vehicle costs. The Other Operating Standard Payment is set equal to the CY 2000 industry median of these cost amounts, except for administrative and general costs, which are subject to a ceiling of \$11.48 before combining with other cost components. The calculation of the Other Operating Standard Payment is reduced by 8.5% to exclude nonallowable reported costs. The allowable base-year amount is updated by a CAF of 5.96%. This cost adjustment factor is based on Massachusetts-specific CPI forecasts as well as national and regional indices supplied by DRI.

- D. Capital.** The Capital component is computed in accordance with 114.2 CMR 6.05 (2) (Appendix A), using the allowable depreciation, financing contribution, and other fixed costs based on the allowable basis of fixed assets as of December 31, 2000.
1. **Determination of RY 2002 Capital Payments.** For beds licensed prior to July 1, 2002, the Capital payment will equal the lower of the facility's capital payment in its presently certified rates (in effect on January 1, 2002) or the revised payment calculated from the CY 2000 cost report data, as described in 114.2 CMR 6.05 (2) (c) (Appendix A).
  2. **Capital Payments Exceptions.** For the following facilities that meet the criteria in 114.2 CMR 6.05 (1) (Appendix A), the Capital component per diem effective July 1, 2002 is \$20.25:
    - a) new facilities constructed pursuant to a Determination of Need approved after March 7, 1996;
    - b) replacement facilities that open pursuant to a Determination of Need approved after March 7, 1996;
    - c) new facilities in urban under bedded areas that are exempt from the Determination of Need process;
    - d) new beds that are licensed pursuant to a Determination of Need approved after March 7, 1996;
    - e) new beds in twelve-bed expansion projects not associated with an approved Determination of Need project;
    - f) hospital-based nursing facilities; and
    - g) private nursing facilities that sign their first provider agreement on or after July 1, 2002.
  3. **Notification of Substantial Capital Expenditures.** Any nursing facility that opens, adds new beds, adds substantial renovations, or re-opens beds after July 1, 2002, is required to notify DHCFP in accordance with 114.2 CMR 6.05 (3) (a) (Appendix A). At that time, the Capital component may be recomputed in accordance with 114.2 CMR 6.05 (3) (b) (Appendix A).

**State Plan under Title XIX of the Social Security Act**  
**State. Massachusetts**  
**Institutional Reimbursement: Nursing Facilities**

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- I. Martha's Vineyard Hospital Foundation.** Notwithstanding anything to the contrary contained in this State Plan, any nursing home that is owned by the Martha's Vineyard Hospital Foundation during the time that said Foundation also administers a federally designated sole community provider hospital shall have allowed all of its extra variable and fixed costs that reasonably result from such nursing home being located in a geographically isolated area.
- J. Receivership under M.G.L. C.111 s.72N *et seq.* (see Appendix C).** Provider rates of a nursing facility in receivership may be adjusted by DHCFP to reflect the reasonable and necessary costs associated with the court-approved closure of the facility.
- K. Review and Approval of Rates and Rate Methodology by the Division.** Pursuant to M.G.L. c 118E, s.13, the Division shall review and approve or disapprove any change in rates or in rate methodology proposed by DHCFP. The Division shall review such proposed rate changes for consistency with state policy and federal requirements, and with the available funding authorized in the final budget for each fiscal year prior to certification of such rates by DHCFP. The Division shall, whenever it disapproves a rate increase, submit the reasons for disapproval to DHCFP together with such recommendations for changes. Such disapproval and recommendations for changes, if any, are submitted to DHCFP after the Division is notified that DHCFP intends to propose a rate increase for any class of provider under Title XIX but in no event later than the date of the public hearing held by DHCFP regarding such rate change; provided that no rates shall take effect without the approval of the Division. DHCFP and the Division shall provide documentation on the reasons for increases in any class of approved rates that exceed the medical component of the consumer price index to the Massachusetts House and Senate Committees on Ways and Means.
- L. Statistical Information from DHCFP.** DHCFP shall supply the Division with all statistical information necessary to carry out the Division's review responsibilities under this Section.
- M. Supplemental Funding.** If projected payments from rates necessary to conform to applicable requirements of Title XIX are estimated by the Division to exceed the amount of funding appropriated for such purpose in the budget for the fiscal year, the Division and DHCFP shall jointly prepare and submit to the Governor a proposal for the minimum amount of supplemental funding necessary to satisfy the requirements of the State Plan developed by the Division under Title XIX of the federal Social Security Act.